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Executive Board of the United Nations Development Programme and of the United Nations Population Fund

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Recommendations of the Board of Auditors

UNDP: Report on implementation of the recommendations of the Board of Auditors for the biennium 2000-2001

Report of the Administrator

Issues

In taking note of the present report, the Executive Board may also wish to note that UNDP has made considerable progress in implementing the recommendations made by the Board of Auditors in its report for the biennium 2000-2001.

1. As in previous bienniums, and in accordance with General Assembly resolutions 47/211 of 22 December 1992 (paragraphs 9, 10 and 12) and 48/216 B of 23 December 1993 (paragraph 5), the Administrator is bringing to the attention of the Executive Board the report on the implementation of the recommendations of the Board of Auditors on UNDP for the biennium ending 31 December 2001 (A/57/5/Add.1).

2. The present report has been prepared in response to General Assembly resolutions 48/216 B and 52/212 B, in which the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes to provide the General Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables, at the same time that the recommendations of the Board of Auditors are submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ).

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3. The annex to the present document contains an update of the actions taken by UNDP on the recommendations of the Board of Auditors. The paragraph references in the annex are from document A/57/5/Add.1, the United Nations Development Programme, Financial Report and Audited Financial Statements for the biennium ended 31 December 2001 and Report of the Board of Auditors. The Administrator has provided an update on the UNDP response to the outstanding recommendations as well as the status of any follow-up action and the target date for completion at the date of preparing the present document. This is an update on DP/2003/6 and DP/2003/CRP.7, which were presented to the Executive Board at its first regular session 2003. The Administrator is pleased to report that progress has already been achieved in most areas and that efforts are being made to address the issues that are still outstanding.

Annex

I. Financial issues

Recommendation in paragraph 23 as it relates to the United Nations Capital Development Fund (UNCDF)

4. UNCDF has taken the necessary steps to keep its overall core income and expenditure in balance in 2003. Core approvals have been reduced from $9.5 millions in 2002 to $4.5 million in 2003.

5. A comprehensive review of UNCDF programme commitments is ongoing and a number of projects worth $35.2 million have been identified to be closed down by 31 December 2003. This exercise, combined with an expected 2003 programme delivery of $19.1 million will reduce the total commitments from $134.7 million in 2002 to $84.9 million in 2003.

Recommendation in paragraph 35 as it relates to non-expendable equipment.

6. In 2003 headquarters non-expendable computer equipment has been revalued at an average cost of the purchase prices for desktop and laptop computers. Servers are valued on actual purchase price. The building air conditioning units are valued at replacement cost. Furniture and office equipment are valued at their historical cost.

7. With the introduction of PeopleSoft Enterprise Resource Planning (ERP) in 2004, the procurement module will track actual costs of all equipment purchased.

Recommendation in paragraph 46 regarding the review of bank reconciliations.

8. All UNDP payroll accounts have been reconciled by the United Nations Accounts Group for 2002 and have been reviewed by UNDP.

9. The 2003 payroll bank account reconciliations are being received and reviewed on a regular basis.

Recommendation in paragraph 48 regarding the reconciliation of the Millennium system with the Integrated Management and Information System (IMIS).

10. The 2002 reconciliation is completed. The reconciliation is being kept up to date on a monthly basis in 2003.

Recommendation in paragraph 51 on enhancing information of unidentified receipts.

11. Ninety-nine country offices obtained access to Internet banking for information reporting by the end of 2003. The remaining country offices will be added following the completion of the implementation of the PeopleSoft system. The recruitment of a senior investigation clerk has been completed.

Recommendation in paragraph 62 on estimating the full liability for end-of-sevice benefits.

12. UNDP has been in discussion with a consultant to determine the requirements for the reporting of the liability for end-of-service benefits. When the study is complete UNDP will adjust the accrual to reflect the recommendation as appropriate. UNDP will share the methodology used with the United Nations and its funds, programmes and specialized agencies through the High-level Committee on Management.

II. Management issues

Recommendation in paragraph 69 on clearing long-outstanding differences with executing agencies

13. UNDP continues to reconcile differences with the agencies. Charges disputed by the agencies are being followed up with the respective country offices by the Comptroller's Division. UNDP expects that many of the disputed charges will be resolved with the agencies, and adjustments will be reflected in the year-end reconciliation of the agencies operating fund and current accounts.

Recommendation in paragraph 83 to complete the review of outstanding advances provided to governments.

14. Progress on the reconciliation of operating funds provided to governments has been greater than originally estimated. The Comptroller's Division expects to have substantially all advances reconciled and all adjustments made by the close of 2003.

Recommendation in paragraph 120 regarding (a) the funding of audit costs in line with the policy in the Programming Manual and (c) the cost-benefit of the audit in relation to project expenditure.

15. Regarding part (a), a draft revision has been submitted to the Bureau for Development Policy (BDP), which is in the process of incorporating the changes into the Programming Manual. Regarding part (c), additional guidance has been provided to country offices.

Recommendation in paragraph 127 regarding the finalization of service-level agreements with UNFPA and the United Nations Office for Project Services (UNOPS).

16. UNDP has met with the two organizations and has completed its negotiations and is close to finalizing these agreements

Recommendation in paragraph 132 regarding formal agreements with United Nations organizations and the implementation of cost-recovery strategies for full cost-recovery of services rendered.

17. UNDP issued its revised guidelines in August 2003 to country offices and United Nations organizations. The new guidelines include a system of corporate-level agreements, in lieu of that used at the country level, and introduce the concept of a price list for different services.

Recommendation in paragraph 144 regarding the finalization and follow-up of outstanding activities by the United Nations Volunteers (UNV) on all inactive sub-trust funds and fully funded arrangements in order to comply with the specific closure requirements included in the donor agreements.

18. UNV has made concerted efforts to close over 90 per cent of trust funds and full-funding projects, which were awaiting feedback from respective donors. UNV, therefore, expects to have no outstanding projects with significant balances by the end of 2003.

Recommendation in paragraph 154 regarding the segregation of duties between investment functions.

19. The recruitment of a Deputy Manager of Operations was completed in September 2003.